

# IRS



## Fact Sheet

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### TAXPAYER PRIVACY

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#### History of the Current Privacy Statute – Internal Revenue Code Section 6103

A 1975 report of the Joint Committee on Taxation (*Confidentiality of Tax Returns*, September 25, 1975) and a 1976 report by The Privacy Protection Study Commission (*Report of the Privacy Protection Study Commission*, June 1976) described how a variety of Federal agencies and officials were routinely given access to tax returns and tax return information. The Privacy Protection Study Commission concluded these practices should be controlled in order to maintain the privacy of information the IRS collects on taxpayers. The Commissioner's report noted:

"Congress has determined that the compelling societal need to finance governmental activities warrants the intrusion into the lives of individuals that compliance with the Internal Revenue Code inevitably entails.

"The Service's special powers of legal compulsion give it a unique ability to acquire information.

"Confidentiality of tax returns and related information is an essential element in preserving the effectiveness of the tax system in this country."

The Commission concluded that "disclosure of information the Internal Revenue Service maintains on individuals should be allowed only in situations where the Congress by statute has expressly authorized the disclosure."

A New York *Times* editorial on June 18, 1976, endorsed the Commission's recommendation, stating the "commission has asked for the restoration of the kind of privacy that most ordinary taxpayers always thought their dealings with the IRS enjoyed."

In 1976, Congress essentially adopted as a general rule the protections recommended by the Privacy Protection Study Commission:

"The Congress felt that returns and return information should generally be treated as confidential and not subject to disclosure except in those limited situations delineated in the newly amended section 6103 where it was determined that disclosure was warranted."

--Joint Committee on Taxation, "General Explanation of the Tax Reform Act of 1976"

### **Protected Information**

Information reported on tax returns and information received or collected by the IRS with respect to a return or in connection with a determination of liability under the interest revenue laws.

### **Penalties for Wrongfully Disclosing Tax Information**

Authorized disclosures are punishable by imprisonment of up to 5 years, a fine not exceeding \$5000 and dismissal from office under Section 7213 of the Internal Revenue Code. Additionally, taxpayers whose tax information is disclosed in an unauthorized manner may recover damages, including punitive damages for willful or grossly negligent wrongful disclosures, under Code Section 7431.

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